Business Model Testing

Why It Matters:
Building on evidence over assumptions

Founders Hive

UNDERSTAND

Even the best ideas are loaded with unproven assumptions – testing early prevents building on false premises.

Step 1: Identify and Document Assumptions

Catalog Key Assumptions

Every business model is built on assumptions. The first step is to identify and document all critical assumptions underlying your business model across five key areas.

Five Key Assumption Categories

Problem: Customer pain points and needs

Solution: Your product/service capabilities

Customer: Target segments and personas

Revenue: Pricing and monetization model

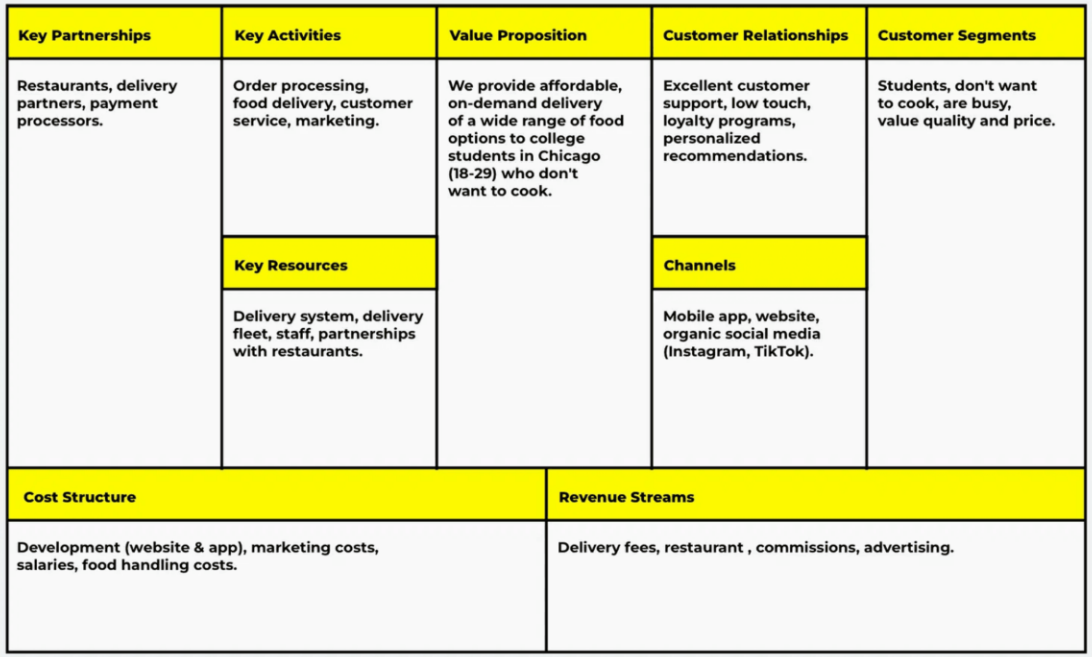
Channels: Distribution and acquisition paths

Founder Insight

"The hardest part of the business model is understanding how to capture margins. We addressed this by seeking input from people who'd done it before."

– Founder of Unbound Potential

Business Model Canvas Framework



Key Partnerships	Key Activities	Value Proposition	Customer Relationships	Customer Segments
Restaurants, delivery partners, payment processors.	Order processing, food delivery, customer service, marketing.	We provide affordable, on-demand delivery of a wide range of food options to college students in Chicago (18-29) who don't want to cook.	Excellent customer support, low touch, loyalty programs, personalized recommendations.	Students, don't want to cook, are busy, value quality and price.
	Key Resources		Channels	
	Delivery system, delivery fleet, staff, partnerships with restaurants.		Mobile app, website, organic social media (Instagram, TikTok).	

Cost Structure	Revenue Streams
Development (website & app), marketing costs, salaries, food handling costs.	Delivery fees, restaurant , commissions, advertising.

Map your assumptions across all nine building blocks of your business model

Step 2: Formulate Testable Hypotheses

Transform Assumptions into Testable Statements

Turn your assumptions into clear, testable hypotheses using a structured format that defines what you believe, what outcome you expect, and how you will measure it.

Hypothesis Structure

If [specific action or condition],

Then [expected outcome],

Because [underlying assumption], **measured by** [specific metric].

Example Hypothesis

"If we offer a free 14-day trial, then 20% of trial users will convert to paid customers, because small business owners need to test the tool with real data before committing, measured by conversion rate from trial to paid."

Pro Tip

Make your hypotheses specific and measurable. Vague hypotheses lead to inconclusive tests. Define clear success criteria before you start testing.

Draft Your Hypothesis

If (Specific Action/Condition)

Describe the specific action, feature, or condition you will test...

Then (Expected Outcome)

State the specific, measurable outcome you expect...

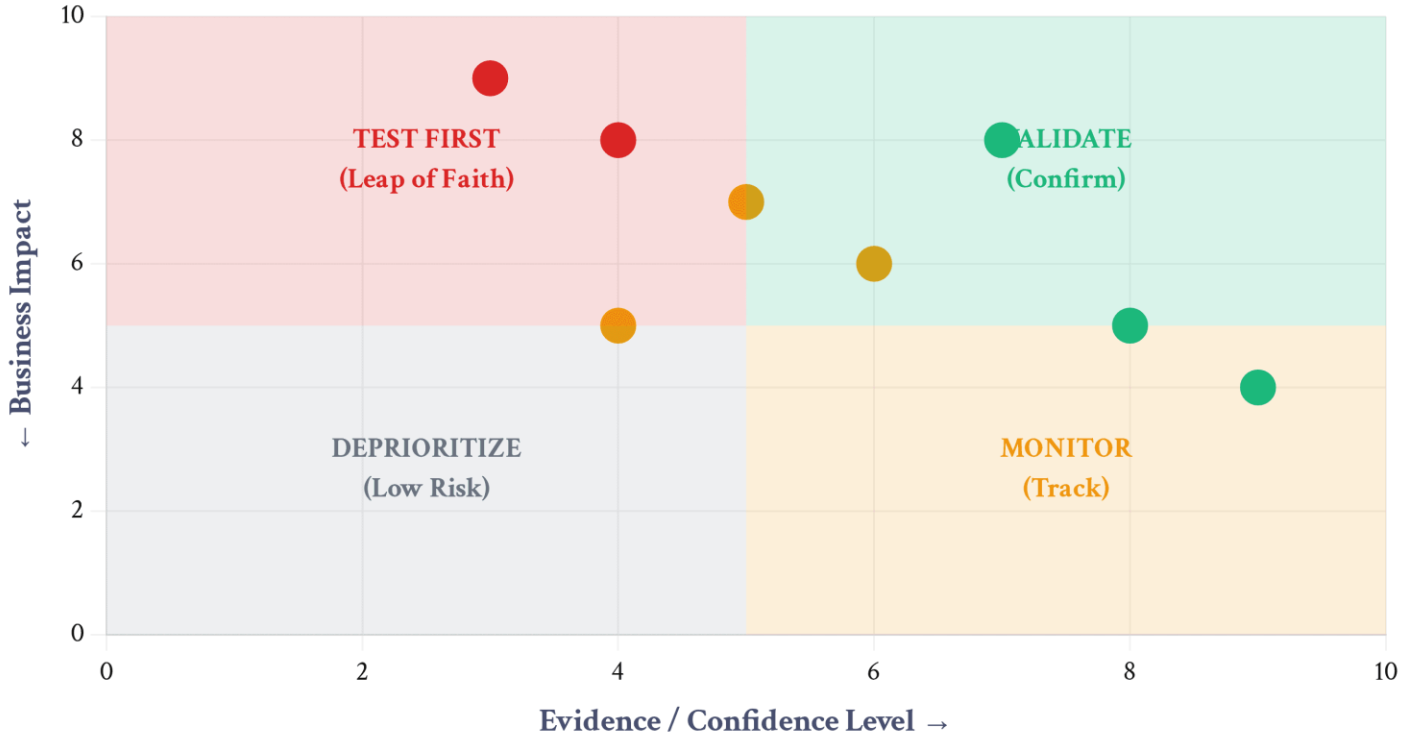
Because (Underlying Assumption)

Explain why you believe this will happen...

Measured By (Success Metric)

Define how you will measure success (e.g., conversion rate, signup rate)...

Step 3: Prioritize Assumptions



Prioritization Matrix: Focus on high-impact, low-evidence assumptions first

Leap of Faith Assumptions

Focus on assumptions with **high impact** and **low evidence** – these are your riskiest bets that could make or break your business.

ICE Scoring Framework

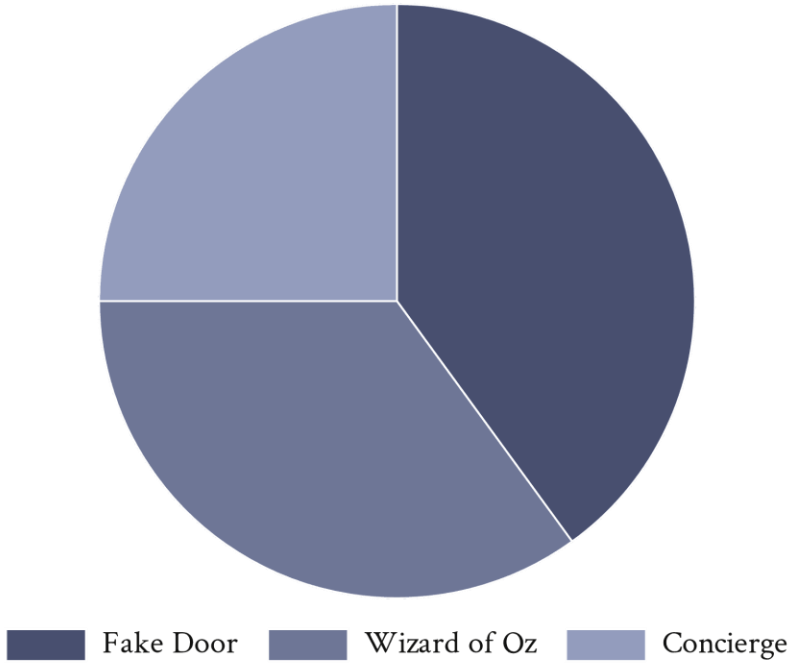
- **Impact:**
  How much will this affect your business model?
- **Confidence:**
  How certain are you about this assumption?
- **Ease:** How difficult is it to test?

Prioritization Strategy

Test high-impact, low-confidence assumptions first. These represent the greatest risk and uncertainty in your business model.

Step 4: Design Experiments & MVP Types

Experiment Approach Distribution



Common experiment types used by successful startups for hypothesis testing

Choose the Right Experiment

Select an experiment type that balances speed, cost, and learning quality. Start with the simplest test that can validate or invalidate your hypothesis.

Fake Door	Wizard of Oz	Concierge
40%	**35%**	**25%**
Fastest	Manual	High-touch

Key MVP Types

Fake Door: Test demand before building by measuring clicks on non-existent features

Wizard of Oz: Automate appearance while manually delivering service behind the scenes

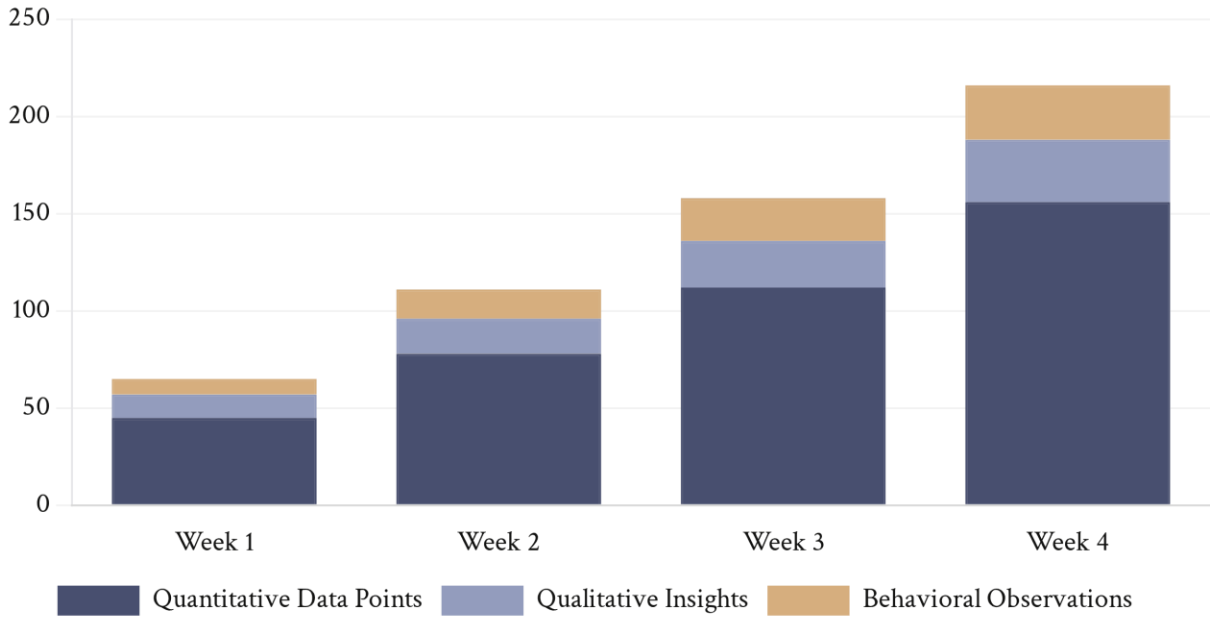
Concierge: Deliver service manually and transparently to deeply understand customer needs

Pro Tip

Start with Fake Door to test demand, then use Wizard of Oz or Concierge to validate solution quality and refine your offering.

Step 5: Execute Tests & Collect Evidence

Evidence Collection Framework



Collect all three types of evidence for comprehensive validation

Systematic Data Collection

Run your experiment and systematically collect three types of evidence to validate or invalidate your hypothesis.

Quantitative Evidence

Numerical data and metrics: conversion rates, signup numbers, usage statistics, time on site, click-through rates

Qualitative Evidence

Customer feedback and insights: interviews, surveys, open-ended responses, feature requests, pain points expressed

Behavioral Evidence

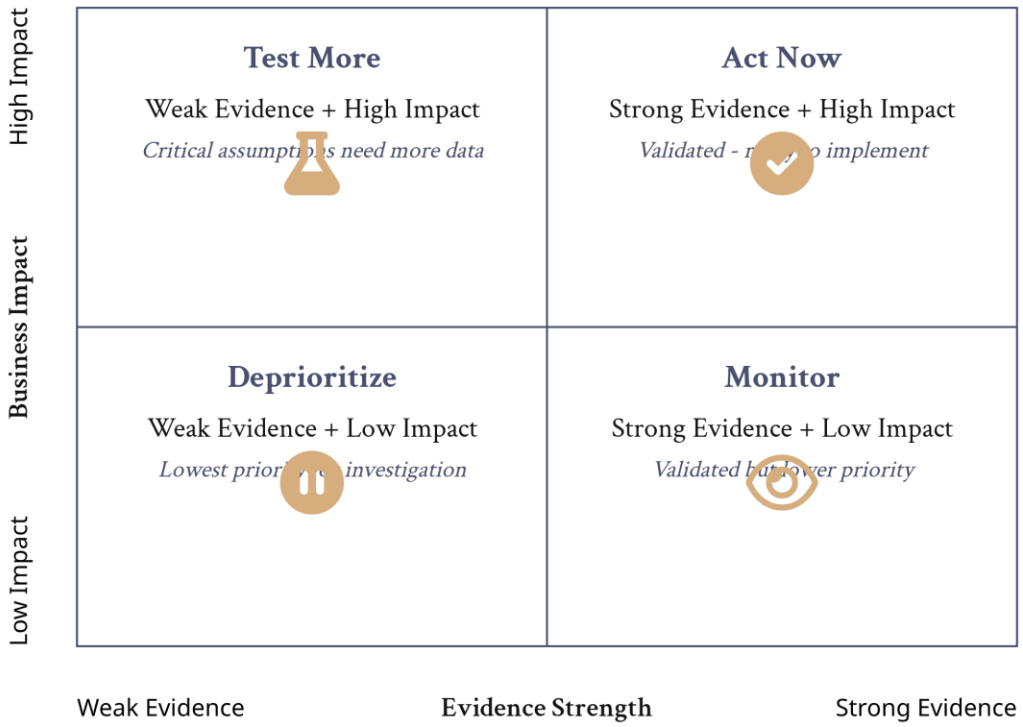
Observed actions: user flow patterns, feature usage, abandonment points, actual vs. stated behavior

Pro Tip

Focus on behavior over opinions. What customers do is more reliable than what they say they will do. Track actual usage patterns alongside survey responses.

Step 6: Analyze Data and Extract Insights

Insight Board Framework



Categorize your findings by evidence strength and business impact

Make Sense of Your Evidence

After collecting data from your experiments, organize your findings using an Insight Board to identify which assumptions are validated and which need further testing or pivoting.

Act Now

Strong evidence + High impact: Validated assumptions ready for implementation

Test More

Weak evidence + High impact: Critical assumptions requiring additional experiments

Monitor

Strong evidence + Low impact: Validated but lower priority for immediate action

Deprioritize

Weak evidence + Low impact: Lowest priority for further investigation

Key Analysis Questions

- What patterns emerged across quantitative and qualitative data?
- Which assumptions were validated or invalidated?
- What unexpected insights did you discover?
- What are the implications for your business model?

Step 7: Make Decisions and Create a Learning Roadmap

Persevere

Your hypothesis was validated. The data supports your assumptions. Continue building on this validated learning and scale your efforts.

Pivot

Your hypothesis was partially validated or invalidated, but you learned something valuable. Adjust your business model based on insights and test again.

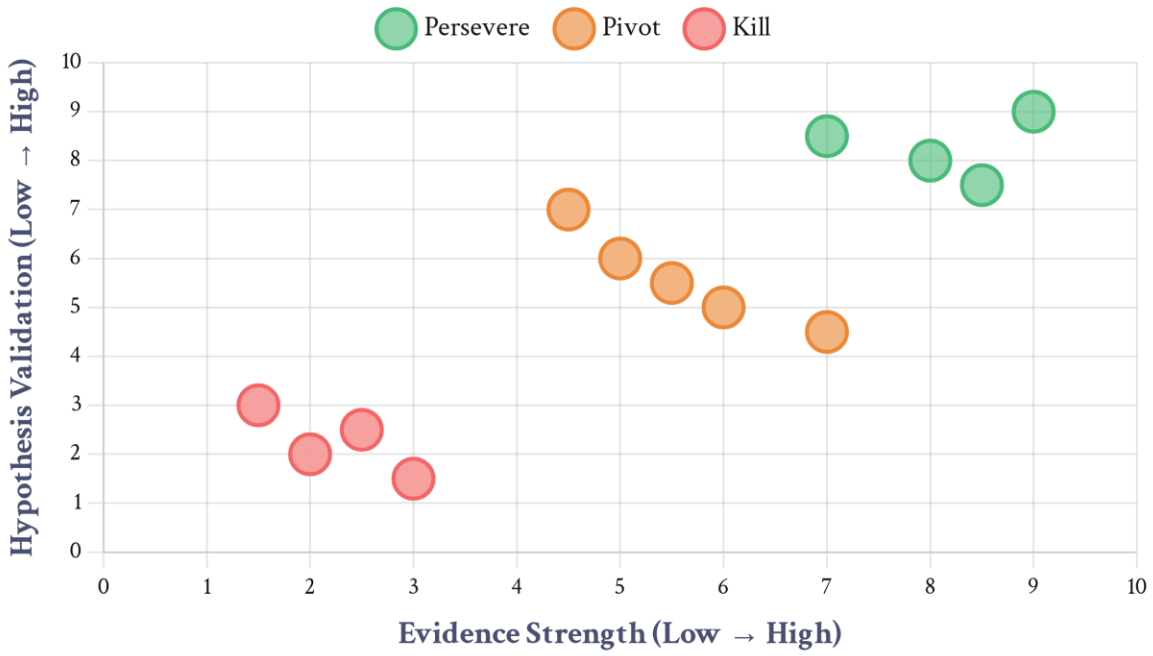
Kill

Your hypothesis was clearly invalidated with no viable path forward. Stop investing resources in this direction and explore alternative opportunities.

Create Your Learning Roadmap

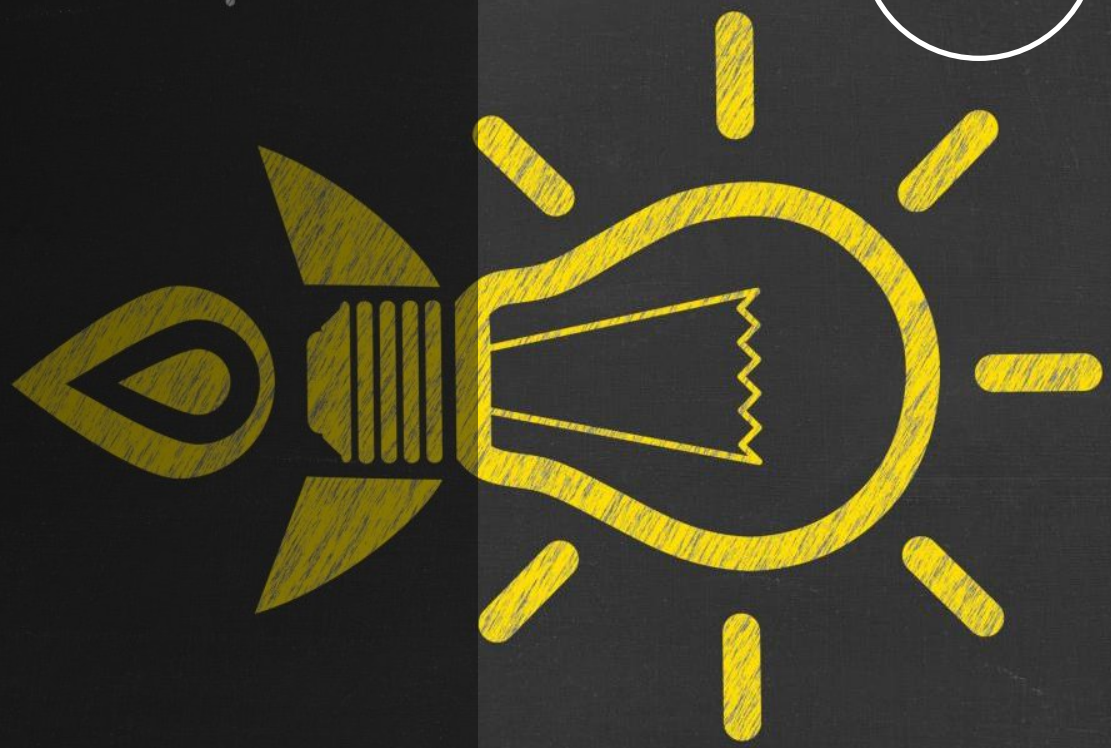
Document what you learned, update your business model canvas, identify the next most critical assumption to test, and plan your next experiment cycle.

Decision Framework Matrix



Use evidence strength and hypothesis validation to guide your decision

Let's Bring Your Idea to Life



Your journey from scientific discovery to startup success starts now